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## FISCAL IMPACT REPORT



SPONSOR: Miera DATE TYPED: 2/01/02 HB 285

SHORT TITLE: Public School Capital Outlay Expenses SB \_\_\_\_\_

ANALYST: Kehoe

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
	\$1,100.0		(\$2,500.00)	Recurring	PSCO Fund
			See Narrative		

(Parenthesis ( ) Indicate Expenditure Decreases)

The appropriation in the 2002 General Appropriation Act for the DCU has been deleted.

Duplicates Senate Bill 286

### SOURCES OF INFORMATION

Deficiencies Correction Unit (DC Unit)  
LFC Files

### SUMMARY

#### Synopsis of Bill

House Bill 285 appropriates \$1,100.0 from an existing \$50,000.0 general fund appropriation (Laws 2001, Chapter 338) to the Deficiencies Correction Unit (DCU) for operational expenses in FY03. The bill further amends the Public School Capital Outlay Act (Section 22-24-4 NMSA 1978) to allow up to five percent of all funds appropriated to the Public School Capital Outlay Fund to be used for other management oversight expenses incurred by the DCU.

#### Significant Issues

The DCU was created by Laws 2001, Chapter 338, pursuant to the Public School Capital Outlay Act (Section 22-24-4.2 NMSA 1978). The DCU was established as part of the Public School Capital Outlay Council (PSCOC) to assist the council in identifying and funding all outstanding deficiencies in public schools and grounds that may adversely affect the health or safety of students and

school personnel no later than June 30, 2004. The Public School Capital Outlay Task Force currently monitors the guidelines, procedures and local reporting requirements adopted by PSCOC for implementing the deficiency correction program.

DCU is currently supported by a \$1,100.0 special general fund appropriation with a staff of 7 FTE. The duties of DCU include: working with local school districts to validate the assessment of outstanding deficiencies and the projected costs to correct substandard conditions; providing direct oversight of the management and construction of the projects that will correct outstanding deficiencies; overseeing all aspects of contracts entered into by PSCOC to correct the existing deficiencies; conducting on-site inspections during construction to assure that the specifications are being met; and requiring the use of standardized construction documents and processes for change orders as defined by the Property Control Division of the General Services Department.

House Bill 285 provides that the \$1,100.0 funding needed for FY03 operational expenses of DCU be derived from the \$50 million FY02 general fund appropriation to the public school capital outlay fund intended for correcting deficiencies. The FY02 general fund appropriation is contingent upon the secretary of general services and the secretary of finance and administration certifying that the PSCOC has adopted a project management system to ensure projects are constructed in a cost-effective and efficient manner. Draft rules that define the procedures, methodology and powers of the DCU have been mailed out to seek public comment. A public hearing is scheduled for February 20, 2002, and the PSCOC is tentatively scheduled to meet to consider adoption of the rules on February 28, 2002.

House Bill 285 provides that an additional amount of up to 5 percent of all funds (\$200,000.0) appropriated to the Public School Capital Outlay Fund may be used for project management oversight expenses incurred by DCU. Current law allows a one-and-one-half percent project management fee as used by the General Services Department. DCU currently estimates a range of 150 to 250 school projects be undertaken in FY03 with a value of \$50 million to \$70 million for construction. Based on DCU's estimated scope of work, the maximum allowable 5 percent project management assessment would yield \$2,500.0 to \$3,500.0 million for the unit's construction management field process. The DCU's best staffing estimate to date for construction management and project technicians to handle the requirements of the field process is 18 FTE. DCU plans to use either temporary, term or contract staff to handle the field responsibilities based upon the scope and technical requirements of the specific projects funded and the availability of competent staff. According to DCU, the project management oversight fee of up to 5 percent will allow PSCOC to adjust the percentage to supplement appropriations for the operational costs. DCU projects that the fee percentage will be recovered through cost savings and efficiencies that the direct project oversight of the projects will provide.

## **FISCAL IMPLICATIONS**

The general fund appropriation of \$1,100.0 contained in House Bill 285 is a recurring expense to the public school capital outlay fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2003 shall revert to the general fund. The bill also provides that an additional amount of up to 5 percent of all funds (\$200,000.0) appropriated to the Public School Capital Outlay Fund may be used for project management oversight expenses incurred by DCU. Based on DCU's estimated scope of work, the maximum allowable 5 percent project management assessment would yield \$2,500.0 to \$3,500.0 million for the unit's construction management field process. Continued funding from the Public School Capital Outlay Fund for administrative purposes will re-

duce the funds available to correct life-safety and code deficiencies that exist in public school facilities statewide.

**DUPLICATION**

Duplicates Senate Bill 285 in its entirety.

**OTHER SUBSTANTIVE ISSUES**

The Legislature has recognized the significant need for the construction management oversight and accountability to assist local districts to ensure the most efficient and prudent use of the available capital project funding. The Legislative Finance Committee supported DCU's FY03 budget request, but with a different revenue mix: \$150.0 from the general fund, \$150.0 in cash balances and \$1,669.0 derived from a one-and-one-half project management fee assessed on all funds in the public school capital outlay fund.

**LMK/njw**